



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0416	<b>Title:</b>	Exempt certain biodiesel from state tax
<b>Primary Sponsor:</b>	MacDonald, Margaret	<b>Status:</b>	As Introduced-Revised

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
State Special Revenue	\$20,035	\$10,039	\$10,039	\$10,039
<b>Revenue:</b>				
State Special Revenue	(\$88,126)	(\$88,126)	(\$88,126)	(\$88,126)
<b>Net Impact-General Fund Balance:</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**Description of fiscal impact:** HB 416 allows an individual who produces 2,500 gallons or less of biodiesel from waste vegetable oil feedstock a year for their own use to be exempt from the special fuel tax of \$0.2775 per gallon. This bill would result in an estimated reduction of about \$100,000 of state special revenue per year.

### FISCAL ANALYSIS

#### Assumptions:

1. The Energy Information Administration (EIA) (a branch of the Department of Energy) reports that from 1993 to 1998, the average national supply of waste vegetable oil was adequate to produce 344 millions gallons of biodiesel per year.
2. Due to competing uses of the waste vegetable oil, the EIA estimates that biodiesel production would be limited to 100 million gallons per year.
3. This fiscal note assumes that amount of waste vegetable oil is produced in Montana relative to the rest of the country is modeled by its proportion of the population.
4. According to the U.S. Census Bureau 2007 estimates, Montana has 0.3176% of the United States population.
5. It follows from assumptions 2 and 4 that 317,571 gallons of biodiesel would be produced in Montana.

6. This fiscal note assumes that all biodiesel producers will remain below the 2500 gallon threshold; therefore all 317,571 gallons of biodiesel will be exempt from state tax.
7. Tax revenue loss per year would be \$88,126 ( $317,571 \times \$0.2775 = \$88,126$ ).
8. The new program would need 0.25 FTE of a Compliance Technician to register and educate biodiesel producers on the new law.
9. A biodiesel registration component would need to be added to the motor fuel system at one-time cost of \$10,000.

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b><u>Fiscal Impact:</u></b>				
FTE	0.25	0.25	0.25	0.25
<b><u>Expenditures:</u></b>				
Personal Services	\$10,035	\$10,039	\$10,039	\$10,039
Operating Expenses	<u>\$10,000</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<b>TOTAL Expenditures</b>	<u><u>\$20,035</u></u>	<u><u>\$10,039</u></u>	<u><u>\$10,039</u></u>	<u><u>\$10,039</u></u>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	\$20,035	\$10,039	\$10,039	\$10,039
<b><u>Revenues:</u></b>				
State Special Revenue (02)	(\$88,126)	(\$88,126)	(\$88,126)	(\$88,126)
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	(\$108,161)	(\$98,165)	(\$98,165)	(\$98,165)

**Technical Notes:**

1. The bill is not specific when a producer produces more than 2,500 gallons whether the total amount of biodiesel gallons are taxable or just the portion over 2,500 gallons.
2. As the bill is written, an individual could produce the biodiesel out-of-state, register with Montana and use it in Montana tax-free.
3. Biodiesel produced from waste vegetable oil feedstock is still subject to the clean-up fee (.0075 per gallons) that the Department collects.

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Sponsor's Initials\_\_\_\_\_  
Date\_\_\_\_\_  
Budget Director's Initials\_\_\_\_\_  
Date